

KINGS COMMUNITY ACTION ORGANIZATION, INC.

HANFORD, CALIFORNIA

FINANCIAL STATEMENTS  
AND  
SINGLE AUDIT REPORT

DECEMBER 31, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 04608

Assigned To: Armstrong

Date Reviewed: 7/2/09


Reviewer's Initials: (K)

Date Review(s) Completed: 7/15/09

## TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	Exhibit A 4
Statements of Cash Flows	Exhibit B 5
Notes to Financial Statements	6-12
Supplemental Information:	
Schedule of Activities - All Program Services	Schedule 1 13
Schedule of Activities - Administration Services	Schedule 2 14
Schedule of Activities - Head Start Programs	Schedules 3-7 15-19
Schedule of Activities - Child Development Programs	Schedules 8-12 20-24
Schedule of Activities - Energy and Housing Programs	Schedule 13 25
Schedule of Activities - Emergency Services	Schedules 14-16 26-28
Schedule of Activities - Other Programs and Services	Schedule 17 29
Dept of CSD Schedule of Revenue and Expenses 07F-4837, 07F-4873, 06B-5364, 07B-5414 and 07C-1664	Schedules 18-24 30-36
Child Development Programs - General Information	Schedule 25 37
Schedules of Reported, Adjusted and Allowed Meals and Earned Reimbursement - 16-1250-0J and 16-1250-9F	Schedules 26-31 38-43
Schedule of Reported, Adjusted and Allowed Administrative income - 16-1250-9F	Schedule 32 44
Audited Final Attendance and Fiscal Report for Child Development Programs CCTR-7096, CCTR-8092, CPKF-7010, and CPKF-8029	Schedules 33-44 45-56
Audited Final Attendance and Fiscal Report for State Preschool Programs CPRE-7094, CPRE-8094, CPKP-7054, and CPKP-8019	Schedules 45-52 57-64
Audited Final Fiscal Report for Alternative Payment or Family Child Care Home Programs CAPP-7023, CAPP-8022, C3AP-7021, C3AP-8020, C2AP-7021, and C2AP-8020	Schedules 53-58 65-70

TABLE OF CONTENTS (concluded)

	<u>PAGE</u>
Audited Final Revenue and Expenditure Report for Support Contracts CCIP-7016, CCIP-8016, CCAP-7096, CCAP-8093, CHST-7016, CHST-8016, CIMS-7155, CIMS-8153, CSCC-7060, CSCC-8076, CICD-5016, CECT-7016, CECT-8016, CRPM-6040, CRPM-8036, CPKS-7059, and CPKS-8022	Schedules 59-75 71-87
Audited Final Fiscal Report for Resource and Referral Programs CRRP-7017, CRRP-8017, CCEL-7014, and CCEL-8014	Schedules 76-79 88-91
Audited Final Reserve Account Cash Activity Report	Schedules 80-82 92-94
Schedule of Expenses by State Categories	Schedules 83-91 95-103
Schedule of Administrative Costs	Schedules 92-100 104-112
Schedule of Capital Outlay and Equipment Expenses Utilizing Contract Funds	Schedules 101-109 113-121
Schedule of Renovation and Repair Expenses Utilizing Contract Funds	Schedules 110-118 122-130
 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	131-132
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	133-134
Schedule of Expenditures of Federal Awards	135-136
Notes to the Schedule of Expenditures of Federal Awards	137
Findings, Questioned Costs and Recommendations	138
Status of Prior Year Findings and Recommendations	139

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Kings Community Action Organization, Inc.  
Hanford, California

We have audited the accompanying statement of financial position of Kings Community Action Organization, Inc. as of December 31, 2008, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of Kings Community Action Organization, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Kings Community Action Organization, Inc.'s 2007 financial statements and, in our report dated May 13, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kings Community Action Organization, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2009 on our consideration of Kings Community Action Organization, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Kings Community Action Organization, Inc. taken as a whole. The supplementary data in schedules 1 through 118 is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
May 13, 2009

INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Kings Community Action Organization, Inc.  
Hanford, California

We have audited the financial statements of Kings Community Action Organization, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated May 13, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kings Community Action Organization, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on Kings Community Action Organization, Inc.'s financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kings Community Action Organization, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kings Community Action Organization, Inc.'s internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Kings Community Action Organization, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Kings Community Action Organization, Inc. in a separate letter dated May 13, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kings Community Action Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors and management of Kings Community Action Organization, Inc., federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.



R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
May 13, 2009

INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Kings Community Action Organization, Inc.  
Hanford, California

Compliance

We have audited the compliance of Kings Community Action Organization, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. Kings Community Action Organization, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kings Community Action Organization, Inc.'s management. Our responsibility is to express an opinion on Kings Community Action Organization, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kings Community Action Organization, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kings Community Action Organization, Inc.'s compliance with those requirements.

In our opinion, Kings Community Action Organization, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Kings Community Action Organization, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kings Community Action Organization, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kings Community Action Organization, Inc.'s internal control over compliance.



A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors and management of Kings Community Action Organization, Inc., federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in dark ink, appearing to read "R.J. Ricciardi".

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
May 13, 2009

Kings Community Action Organization, Inc.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2008

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>					
Pass through the California State Department of Education:					
Child Care Food Program	10.558	16-1250-0J	N/A	\$ 351,597	\$ 351,597
Child Care Food Program	10.558	16-1250-9F	N/A	252,735	252,735
Summer Food Program	10.558	N/A	N/A	146,053	125,636
Total Child Care Food Programs				<u>750,385</u>	<u>729,968</u>
Pass through the California State Department of Social Services:					
Temporary Emergency Food Assistance	10.569	07-6026	N/A	206,655	206,655 *
Total U.S. Department of Agriculture				<u>957,040</u>	<u>936,623</u>
<u>U.S. Department of Energy:</u>					
Pass through the California State Department of Community Services and Development:					
Weatherization Assistance Program	81.042	07C-1664	34,397	17,831	17,831
Weatherization Assistance Program	81.042	08C-1714	37,074	5,254	5,254
Total U.S. Department of Energy				<u>23,085</u>	<u>23,085</u>
<u>U.S. Department of Federal Emergency Management Agency:</u>					
Emergency Food and Shelter National Board Program	83.523	068800-001	19,600	19,600	19,600
Total U.S. Department of Federal Emergency Management Agency				<u>19,600</u>	<u>19,600</u>
<u>U.S. Department of Health and Human Services:</u>					
Pass through the State of California Office of Criminal Justice Planning:					
Sexual Assault Services	93.136	RC0712580 & RC08131580	185,709	105,757	105,757
Total pass through the State of California Office of Criminal Justice Planning				<u>105,757</u>	<u>105,757 **</u>
Pass through the California State Department of Community Services and Development:					
Low Income Home Energy Assistance Program/Energy Crisis Intervention	93.568	06B-5364	413,163	31,064	31,064
Low Income Home Energy Assistance Program/Energy Crisis Intervention	93.568	07B-5414	253,209	2,144	2,144
Low Income Home Energy Assistance Program/Energy Crisis Intervention	93.568	08B-5464	301,086	273,657	275,357
Community Services Block Grant	93.569	07F-4837	64,044	42,322	54,215
Community Services Block Grant	93.569	07F-4873	24,500	22,250	22,445
Community Services Block Grant	93.569	08F-4917	243,054	243,054	243,054
Total pass through the California State Department of Community Services and Development:				<u>614,491</u>	<u>628,279</u>
Full Year Head Start and Early Head Start	93.600	09CH069742	5,774,439	1,566,614	1,566,614
Full Year Head Start and Early Head Start	93.600	09CH069743	5,778,546	3,061,711	3,061,711
Migrant Head Start	93.600	90CM162829	1,751,560	182,461	182,461
Migrant Head Start	93.600	90CM162830	1,751,560	1,364,054	1,364,054
Healthy Marriage	93.600	90YD023301	239,286	199,674	199,674
Healthy Marriage	93.600	90YD023302	191,430	62,330	62,330
Total Head Start Programs				<u>6,436,844</u>	<u>6,436,844</u>
Pass through the State of California Department of Health Services:					
Adolescent Family Life Program/Adolescent Sibling Pregnancy Prevention	93.994	05-45111	1,891,345	189,747	197,030 ***
Total pass through the State of California Department of Health Services				<u>189,747</u>	<u>197,030</u>
AFL Abstinence Education Prevention: Smart Choices From the Start	93.995	APHPA006015	547,134	173,742	173,742
Total Abstinence Programs				<u>173,742</u>	<u>173,742</u>

\* Includes in-kind (non-cash) contribution of \$122,655 for food supplies.

\*\* The match in-kind of \$40,649 was not recognized in the financial statements because it did not meet the criteria for recognition under SFAS No. 116.

\*\*\* This grant includes a combination of federal and state awards; furthermore, the federal portion could not be determined separately.

Kings Community Action Organization, Inc.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2008

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Award Amount	Revenues	Expenditures
<u>U.S. Department of Health and Human Services (concluded):</u>					
Pass through the California State Department of Education:					
Child Care Initiative Project	93.575	CCIP-7016	\$ 40,000	\$ 20,300	\$ 20,300
Child Care Initiative Project	93.575	CCIP-8016	40,000	18,310	18,310
Infant Toddler Resource	93.575	CCAP-7096	2,949	2,935	2,935
Infant Toddler Resource	93.575	CCAP-8093	2,945	53	53
	93.575 &				
Alternative Payment	93.596	CAPP-7023	876,349	387,487	410,971
Alternative Payment	93.596	CAPP-8022	860,224	389,987	404,045
CCDF Health and Safety	93.575	CHST-7016	5,066	2,866	2,866
CCDF Health and Safety	93.575	CHST-8016	3,250	210	210
Instructional Materials	93.575	CIMS-7155	3,464	3,358	3,358
Instructional Materials	93.575	CIMS-8153	3,506	47	47
CCDF School Age Resource	93.575	CSCC-7060	2,104	2,104	2,104
Continuing Special Needs Training	93.575	CICD-5016	21,246	12,761	12,761
Exempt Care Outreach and Training	93.575	CECT-7016	42,009	35,119	35,119
Exempt Care Outreach and Training	93.575	CECT-8016	42,009	11,227	11,227
Alternative Payment Stage 3	93.575	C3AP-7021	710,843	428,425	442,769
	93.575 &				
Alternative Payment Stage 3	93.596	C3AP-8020	547,369	305,641	314,790
Alternative Payment Stage 2	93.575	C2AP-7021	336,315	117,377	138,647
Alternative Payment Stage 2	93.575	C2AP-8020	28,000	12,546	24,351
Resource and Referral	93.575	CRRP-7017	20,409	13,092	13,467
Resource and Referral	93.575	CRRP-8017	20,409	9,325	9,325
Facilities Renovation and Repair	93.575	CRPM-6040	36,930	19,761	19,761
Centralized Eligibility List Contracts	93.575	CCEL-7014	62,772	52,558	52,558
Centralized Eligibility List Contracts	93.575	CCEL-8014	63,215	28,050	28,050
Total pass through the California State Department of Education				1,873,539	1,968,024
Total U.S. Department of Health and Human Services				9,394,120	9,509,676
Total federal awards				\$ 10,393,845	\$ 10,488,984
<u>State Awards:</u>					
<u>California State Department of Education:</u>					
Child Care Food Program	N/A	16-1250-0J	N/A	\$ 23,722	\$ 23,722
Child Care Food Program	N/A	16-1250-9F	N/A	11,393	11,393
Alternative Payment	N/A	CAPP-7023	647,718	305,092	305,092
Alternative Payment	N/A	CAPP-8022	571,854	259,991	259,991
Alternative Payment Stage 3	N/A	C3AP-7021	328,230	142,888	142,888
Alternative Payment Stage 3	N/A	C3AP-8020	464,912	260,361	260,361
Alternative Payment Stage 2	N/A	C2AP-7021	1,102,087	527,652	527,652
Alternative Payment Stage 2	N/A	C2AP-8020	1,372,000	614,759	614,759
General Child Care and Development Programs	N/A	CCTR-7096	1,203,086	607,180	637,650
General Child Care and Development Programs	N/A	CCTR-8092	1,265,887	623,052	637,280
Resource and Referral	N/A	CRRP-7017	162,442	104,694	104,694
Resource and Referral	N/A	CRRP-8017	151,984	68,387	68,387
State Preschool	N/A	CPRE-7094	273,633	124,170	124,170
State Preschool	N/A	CPRE-8094	314,375	109,800	109,800
Prekindergarten and Family Literacy Program	N/A	CPKF-7010	79,849	14,563	14,578
Prekindergarten and Family Literacy Program	N/A	CPKF-8029	255,433	62,700	62,700
Prekindergarten and Family Literacy Program	N/A	CPKP-7054	61,112	31,948	31,948
Prekindergarten and Family Literacy Program	N/A	CPKP-8019	95,490	20,102	20,102
Prekindergarten and Family Literacy Program	N/A	CPKS-7059	7,500	765	765
Total state awards				\$ 3,913,219	\$ 3,957,932

Kings Community Action Organization, Inc.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2008

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Kings Community Action Organization, Inc. and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Kings Community Action Organization, Inc.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2008

**Section I – Summary of Auditors' Results**

1. The auditors' report is unqualified.
2. With respect to internal control over financial reporting:
  - A. There were no material weaknesses identified.
  - B. There were no significant deficiencies identified that were not considered to be material weaknesses.
  - C. There were no instances of noncompliance material to financial statements noted.
3. With respect to internal control over major programs:
  - A. There were no material weaknesses identified.
  - B. There were no significant deficiencies identified that were not considered to be material weaknesses.
  - C. The auditors' report issued on compliance for major programs is unqualified.
  - D. There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133.
4. Audited as Major Programs:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Expenditures</u>
93.600	Head Start Programs	\$ 6,436,844
93.568	Low Income Home Energy Assistance Program/Energy Crisis Intervention	308,565
93.569	Community Services Block Grant	319,714

5. Dollar threshold used to distinguish between type A and type B programs: \$314,670.
6. The auditee is qualified as a low-risk auditee.

**Section II – Financial Statement Findings**

There were no financial statement findings.

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings and questioned costs.

## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

### Recommendation

### Status/Explanation

There were no prior year findings or recommendations.



**CALIFORNIA EMERGENCY MANAGEMENT AGENCY  
LOCAL ASSISTANCE MONITORING BRANCH  
3650 SCHRIEVER AVENUE  
MATHER, CALIFORNIA 95655  
PHONE: (916) 845-8120 FAX: (916) 845-8380**

July 2, 2009

Mr. David Lozano  
Chief Financial Officer  
Kings Community Action Organization  
1130 North Avenue  
Hanford, CA 93230

SUBJECT: AUDIT REPORT FOR PERIOD ENDING DECEMBER 31, 2008

Dear Mr. Lozano:

California Emergency Management Agency (Cal EMA) has received and reviewed the above-referenced audit reports for the Kings Community Action Organization.

In reviewing the Report on Compliance and on Internal Control Over Financial Reporting, there was a Management Letter dated May 13, 2009, regarding certain matters involving internal control over financial reporting (page 131), that was not included in the Single Audit Report package. Per Recipient Handbook Section 8217, "*Audit reports, which refer to a management letter, are required to submit a copy of the management letter along with the audit report to OES.*"

Please provide CalEMA a copy of the Management Letter by July 13, 2009. The requested information should be forwarded to the attention of Roni Armstrong at:

California Emergency Management Agency  
Local Assistance Monitoring Branch  
3640 Schriever Avenue  
Mather, CA 95655

Thank you for your anticipated cooperation in this matter. Should you have any questions or concerns regarding this issue, please contact Roni Armstrong, CalEMA Local Assistance Monitoring Branch, at (916) 845-8115 or [Roni.Armstrong@calema.ca.gov](mailto:Roni.Armstrong@calema.ca.gov).

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Catherine Lewis".

CATHERINE LEWIS  
ACTING BRANCH CHIEF

cc: Subgrantee File RC08131580



David Lozano  
<dlozano@kcao.org>  
07/14/2009 08:43 AM

To "Roni.Armstrong@calema.ca.gov"  
<Roni.Armstrong@calema.ca.gov>  
cc  
bcc Roni Armstrong/OES  
Subject KCAO Management letter

Good Morning Roni,

Attached please find a copy of the management letter for referenced in the KCAO 2008 audit report.

Also, the correct address the agency is:

Kings Community Action Organization, Inc.  
1130 N. 11<sup>th</sup> Avenue  
Hanford, CA 93230

Please don't hesitate to contact me if you have any questions.

David Lozano  
Finance Director  
Kings Community Action Organization  
1130 N. 11th Avenue  
Hanford, CA 93230  
559-415-7290 (Office)  
559-582-1536 (Fax)

*Helping People, Changing Lives Since 1965*



KCAO Mgmt Letter 12.31.08.pdf



May 13, 2009

To the Board of Directors of  
Kings Community Action Organization, Inc.  
Hanford, California

In planning and performing our audit of the financial statements of Kings Community Action Organization, Inc. (the Organization) for the year ended December 31, 2008, we considered the Organization's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated May 13, 2009 on the financial statements of the Organization. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist the Organization in implementing the recommendations. Our comments are summarized as follows:

Current Year Observations

1) Communication of Internal Control Related Matters

Under Statements on Auditing Standards (SAS) 112, *Communicating Internal Control Related Matters Identified in an Audit*, we are required to communicate certain matters regarding internal controls:

- We drafted Kings Community Action Organization, Inc.'s financial statements with the assistance of management.
- We proposed material audit adjustments with the assistance of management. At year-end, there were typical closing entries that needed to be made.

Recommendation:

Although we feel that Kings Community Action Organization, Inc.'s personnel has the skills to review the financial statements carefully, fully understand them, and take responsibility for them, we still recommended that Kings Community Action Organization, Inc. consider drafting the financial statements on their own in the near future.

We recommended that Kings Community Action Organization, Inc. consider preparing and posting the aforementioned closing entries prior to the start of the audit.

Prior Year Observations

1) Payroll Testing

Observation:

During our testing of payroll, we noted that there were a few clerical errors that went unnoticed. More specifically, one timesheet was missing a supervisor signature and 2 timesheet entries were miscoded. The miscodings did not have a material impact on the financial statements.

Recommendation:

We understand that with the large amount of timesheets being processed each pay period that clerical errors will occur; however, we still recommended that the Organization consider performing periodic checks of the payroll system to ensure any errors are identified in a timely manner.

Status:

This observation has been resolved. During our testing of payroll, the clerical errors were at a minimum.

This letter is furnished solely for the information of management of Kings Community Action Organization, Inc. and is not intended to be and should not be used by anyone other than these specified parties. We will be pleased to discuss with you any of the matters referred to in this letter.

Very truly yours,



R.J. Ricciardi, Inc.  
Certified Public Accountants

RJR:hp



**CALIFORNIA EMERGENCY MANAGEMENT AGENCY**  
**LOCAL ASSISTANCE MONITORING BRANCH**  
3650 SCHRIEVER AVENUE  
MATHER, CALIFORNIA 95655  
PHONE: (916) 845-8120 FAX: (916) 845-8380

July 23, 2009

Mr. David Lozano  
Chief Financial Officer  
Kings Community Action Organization  
1130 North 11<sup>th</sup> Avenue  
Hanford, CA 93230

SUBJECT: AUDIT REPORT FOR PERIOD ENDING DECEMBER 31, 2008

Dear Mr. Lozano:

California Emergency Management Agency (Cal EMA) has received and reviewed the requested Management Letter dated May 13, 2009, mentioned in the above-referenced audit report.

Because the observations in the Management Letter were addressed and considered resolved by the accountant, and to the satisfaction of CalEMA, by copy of this letter, CalEMA considers the above-referenced audit review closed.

Thank you for your continued cooperation in this matter. Should you have any questions or concerns regarding this issue, please contact Roni Armstrong, CalEMA Local Assistance Monitoring Branch, at (916) 845-8115 or [Roni.Armstrong@calema.ca.gov](mailto:Roni.Armstrong@calema.ca.gov).

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Catherine Lewis".

CATHERINE LEWIS  
ACTING BRANCH CHIEF

cc: Subrecipient File RC08131580